## APPENDIX I.

### An Act for the Incorporation and Regulation of Cooperative Associations of Production and Consumption.

BE IT ENACTED BY THE LEGISLATURE OF PORTO RICO:

Section 1 (as amended in 1941). Any number of persons, not less than seven, residing in Puerto Rico, may organize a cooperative association, society, union, company, or exchange, for the purpose of engaging in commerce, agriculture, dairying, mining, manufactures, mechanic industries, on the cooperative plan, through a certificate of incorporation made in the form hereinafter mentioned.

Any cooperative organized in accordance with this Act may limit its activities to its members exclusively. When such limitation is prescribed, the board of directors of the cooperative may authorize activities, business deals, or other kind of relations with non-associated persons, but in such case the total volume of such activities, business deals, or relations shall not exceed in any fiscal year the total volume of activities, business deals, or relations of the cooperative with the members thereof during the same period.

For the purposes of this Act, the words 'association', 'company', 'corporation', 'exchange', 'society' or 'union' shall have the same meaning.

Section 2. The certificate containing the clauses or articles of incorporation, shall set forth—

1. The name of the association, which shall have as a distinctive part thereof the word "cooperative", but no association of this class shall choose a name which has already been adopted by another corporation or which is so similar thereto as to cause confusion.

2. The municipality or municipalities of Porto Rico in which the association is to transact its business, and the city or town of the Island in which its principal office is to be established.

3. The object for which the association is organized.

4. The total amount of the authorized capital stock of the association, the number of shares into which it is divided, the par value of each share, the manner in which deferred payments on shares shall be made, and the number of shares subscribed at the time of incorporation.

5. The conditions for the admission of members.

6. The manner in which the profits are to be applied; and

7. The names and residences of the incorporators.

Section 3. The original articles of incorporation of any association organized pursuant to this Act, shall be signed by all the incorporators and acknowledged by each of them before a notary public, after which it shall be submitted for filing at the office of the Executive Secretary of Porto Rico. The said official shall examine the said document, and if it is found to comply with all the requisites of this Act and none of its provisions is in conflict with existing laws, he shall issue a certificate of registration certifying to the date on which the said articles of incorporation were filed and accepted by him. This certificate shall be sufficient proof of the legal existence of the association or body politic effective the date of its issue, and from that moment it shall be considered as such and shall possess all the appropriate powers of a corporation or body politic.

Section 4 (as amended by Act 162 approved May 10, 1938). Every cooperative association shall be administered by a board of directors, composed of the number of directors provided by regulations, which shall be at least five. The directors shall be elected annually by the stockholders, from among their number, except in the cases of public directors when provision is made therefor, at the time, in the manner, and for the term provided by the regulations of the association, and they shall discharge their duties for the time for which they may be elected and until their successors shall have been elected and have qualified. The by-laws may also provide that one or more directors, who shall not be more than one-fifth of the total number of directors, may be appointed by any public officer or commission. The director

or directors so appointed shall not have to be members or stockholders of the association, but they shall have the same powers and rights as to the other directors. Said directors shall chiefly represent in said associations the public interest in general; Provided, That when one of the cooperative associations authorized by this Act desires financial cooperation on the part of the Government of Puerto Rico, the said cooperative shall insert in its regulations a provision authorizing the Governor of Puerto Rico to appoint the public directors herein authorized. A majority of the stockholders shall have power, at any regular or special meeting, legally called, to remove any director or official from office and to fill such vacancy, and from that moment a director or official thus removed shall cease in the discharge of his office.

The officers of all associations of this class shall be a president, one or more vice-presidents, a secretary and a treasurer, who shall be elected annually by the directors from among their number, unless the regulations provide that they may also be elected from among the stockholders.

The office of secretary and treasurer may be discharged by one sole person, in which case the person so named shall be the secretary-treasurer of the association. The treasurer or secretary-treasurer shall give bond in such amount and form as prescribed by the regulations.

The association may name the officers, agents and factors who may be necessary, as prescribed by the regulations.

Section 5. The first meeting of the association shall be called by a notice subscribed by a majority of the incorporators.

The said notice shall designate the place, hour and purpose of the meeting and shall be served personally upon all the incorporators, or published in a newspaper of general circulation in Porto Rico if personal service cannot be made; and at this meeting a majority of the incorporators shall constitute a quorum for the transaction of business of the association and shall have authority to elect the directors and officials referred to in Section 4 of this Act, who shall hold office until their successors shall have been appointed and qualified. At this meeting the regulations

for the government of the internal affairs of the society shall also be adopted.

Section 6 (as amended by Act 162 approved May 10, 1938). The regulations of the association shall make the necessary provisions for—

1. The holding of an annual meeting at least, of the stockholders, and such other regular and special meetings as may be deemed convenient, and the number of stockholders necessary to constitute a quorum for the transaction of business.

2. The election of the directors and officers, and the designation of agents and factors, and their respective powers and duties.

3. The determination of whether the shares of stock or any part thereof, are transferable, and in case it be decided that they are transferable, the manner of their transfer and registration; and in case it is decided that they are not transferable, the manner in which payment shall be made to the stockholders of the balance due them when they cease to form a part of the association.

4. The manner and form in which the stockholders may withdraw from the association.

5. The form and the amount of the bond to be given by the treasurer, as well as by any other officer or agent who shall give bond for a faithful compliance with his duties.

6. The inspection and examination of the accounts.

7. The custody of the seal of the association, which shall bear the name thereof.

8. The manner in which the receipts of the association shall be distributed.

9. Such other matters as may be deemed convenient for the best interests of the corporation.

Section 7. The association may amend its articles of incorporation by a majority of the votes of its stockholders at any regular meeting of the shareholders, or at any

special meeting called for that purpose with ten days' advance notice to all the stockholders, but in no case shall the authorized capital of an association of this class be decreased to a sum less than the capital paid in at the time of the adoption of the amendment. No amendment to the articles of incorporation shall take effect until it shall have been filed and registered in the office of the Executive Secretary of Porto Rico, which shall be done by a certificate signed by the president and the secretary of the association, and duly sworn to before a notary public, setting forth therein all the proceedings had in the adoption of the amendment or amendments. When the Executive Secretary is convinced that all the legal requirements have been complied with, he shall issue a certificate setting forth the filing and registration of the said amendments, and from that moment the articles of incorporation shall be held to be amended.

Section 8. Every association organized in accordance with this Act, shall have power to purchase, sell and negotiate the products of any other cooperative association, theretofore organized or organized subsequently thereto pursuant to the provisions of this Act and engaged in the same line of business.

Section 9 (as amended by Act 162 approved May 10, 1938). No stockholder in associations of this class shall possess shares representing a face value of more than one thousand dollars except as hereinafter provided, nor be entitled to more than one vote. Any association may limit in its by-laws the number of shares of common stock which a member may own. No vote by proxy shall be admitted at any meeting, unless otherwise provided in the by-laws of any association.

Section 10. At any regular meeting, or at any special meeting duly called, at which may be present a majority of all stockholders, an association organized pursuant to this Act may, by a majority of the votes present, subscribe to stock and make investments of the reserve fund in the authorized capital of any other cooperative association, provided that the funds so invested shall not exceed twenty-five (25) per cent of its paid-in capital.

Section 11. Where an association organized pursuant to this Act shall purchase the business of another association, person or persons, it may pay for the value thereof, in whole or in part, with shares issued by it of its capital stock, to the selling association or person, in an amount the par value of which shall be equal to the market value of the business purchased, and in such case the transfer to the association of such business shall be equivalent to the payment in cash for the shares so issued of the authorized capital stock.

Section 12. In case that the cash value of the business purchased exceed one thousand (1,000) dollars, the directors of the association are authorized to retain the shares in excess of one thousand (1,000) dollars, as depositaries for the vendor and until said vendor shall have transferred the same to other persons. No certificate of stock shall be issued to any subscriber until the par value of each share shall have been paid in full; but subscribers may be granted the privilege of voting as stockholders under the regulations of the association, provided they shall have paid in cash a part of the shares subscribed by them.

Section 13. Subject to revision by the corporation at any regular or special meeting, the directors shall, at least once every twelve months, divide the profits, paying a dividend on the capital paid in which dividend shall not exceed six per cent per annum, after deducting and setting apart at least ten per cent of the net profits for the reserve fund, until accumulating in such reserve fund an amount equal to thirty per cent of the paid-in capital stock, and up to five per cent of the net profits, if so decided, for purposes of education, which shall be used for teaching the cooperative system through meetings and lectures throughout the Island, in such manner as may be decided upon by the committee appointed for such purpose by the board of directors. The remaining portion of the net profits shall be apportioned by the Board of Directors in the form of a dividend among the stockholders and employees, in proportion to the amount of the purchases made or products delivered by the former, according to whether it be a consuming or producing corporation, and of the wages and

salaries received by the latter, subject to revision by the corporation, as hereinabove provided.

Section 14 (as amended by Act 162 approved May 10, 1938). Any association organized pursuant to this Act may voluntarily dissolve by a vote of at least two-thirds of its shareholders, through the procedure provided under Section 26 of the Corporation Law in force.

Section 15. Every association organized in accordance with this Act, shall file with the Executive Secretary of Porto Rico on or before the fifteenth day of March of each year, a report stating the name of the association, the location of its principal business office, the total amount of business transacted during the preceding calendar year, the amount of the capital stock subscribed and paid in, the number of stockholders and the number of shares held by each, the total expenses of its operations, the amount of its assets and of its debts and liabilities, and its profits or losses.

This report shall be signed under oath by the president and treasurer of the association, and the penalties prescribed by Section 25 of the Corporation Law in force, shall be applicable to associations organized under this Act in case of failure to file their annual report within the term fixed, or to amend said report if it be filed in an incomplete or unsatisfactory manner, or when they fail to transmit to the Treasurer of Porto Rico the duplicate of said report hereafter referred to.

A copy of the said report shall be sent to the Treasurer of Porto Rico who, if he have reason to doubt the correctness of same, or on petition signed by five stockholders of the association, shall order an investigation of the books and business thereof, and shall submit to the stockholders a report of the result of the investigation. Any director or official who makes or signs a false annual report of the conditions of the association, shall be fined two hundred (200) dollars for the benefit of The People of Porto Rico, which shall be enforced with costs through an action brought by the Attorney General at the request of the Treasurer of Porto Rico.

Section 16. Any stockholders or other person who may have an interest in the business of an association of this class may inspect its books in the main office, at reasonable hours and when the business of the association will not be inconvenienced or interrupted.

Section 17. Every cooperative association, corporation or company which may have been organized in Porto Rico and has been transacting business prior to the approval of this Act may be reorganized in accordance with the provisions of this Act. In such case the new association shall retain all the rights and obligations acquired by the old association, including the ownership and possession of the latter's real and personal property, in the same manner and scope which it had, and subject to all the indebtedness and liabilities of the old association.

Section 18 (as amended by Act 162 approved May 10, 1938). No association or corporation organized subsequent to the approval of this Act or of Act No. 70, approved August 4, 1925, as amended, shall have the right to use the term "cooperative" as a part of its corporate name or title, unless it shall have complied with all the provisions of this Act, and every association or corporation violating the provisions of this section shall be prohibited from transacting business with the use of the word "cooperative" in its name, by any court of competent jurisdiction, on the petition of any stockholder of any other association legally organized in accordance with this Act or with the aforesaid Act No. 70 of 1925.

Section 19. The Executive Secretary of Porto Rico shall charge and collect, for the benefit of The People of Porto Rico, in internal revenue stamps, the following fees for the filing in his office of any certificate or document relative to cooperative associations referred to in this Act:

1. For receiving, filing and registering the articles of incorporation, or amendments thereto ..... $10.00
2. For issuing certificates of registration as a body politic ..... 2.00
3. For filing certificates of agreements for dissolution ..... 2.00

4. For issuing certificates of dissolution ..... 2.00

5. For issuing a copy of any document or paper which has been filed, relative to associations of this class, 10 cents for each 100 words ..... ...

6. For certifying the copy above mentioned and affixing thereto the seal of the Island ..... 1.00

Section 20. The provisions of the Private Corporation Law shall be supplementarily applicable where not in conflict with the letter and spirit of this Act.

Section 21. That all laws or parts of laws in conflict with this Act are hereby repealed.

Section 22. That this Act shall take effect ninety days after its approval.

Approved May 6, 1920.

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## APPENDIX II.

### Pertinent Parts of Federal Fair Labor Standards Act of 1938.

(29 U. S. C. A. 201 et seq.)

Section 2(b). It is hereby declared to be the policy of this chapter, through the exercise by Congress of its powers to regulate commerce among the several States, to correct and as rapidly as practicable to eliminate the conditions above referred to in such industries without substantially curtailing employment or earning power. June 25, 1938, c. 676, Sec. 2, 52 Stat. 1060.

Section 3(d). "Employer" includes any person acting directly or indirectly in the interest of an employer in relation to an employee but shall not include the United States or any State or political subdivision of a State, or any labor organization (other than when acting as an employer), or

anyone acting in the capacity of officer or agent of such labor organization.

Section 6. Minimum wages; effective date.

(a) Every employer shall pay to each of his employees who is engaged in commerce or in the production of goods for commerce wages at the following rates—

(1) during the first year from the effective date of this section, not less than 25 cents an hour,

(2) during the next six years from such date, not less than 30 cents an hour,

(3) after the expiration of seven years from such date, not less than 40 cents an hour, or the rate (not less than 30 cents an hour) prescribed in the applicable order of the Administrator issued under section 208, whichever is lower, and

(4) at any time after the effective date of this section, not less than the rate (not in excess of 40 cents an hour) prescribed in the applicable order of the Administrator issued under section 208.

(5) if such employee is a home worker in Puerto Rico or the Virgin Islands, not less than the minimum piece rate prescribed by regulation or order; or, if no such minimum piece rate is in effect, any piece rate adopted by such employer which shall yield, to the proportion or class of employees prescribed by regulation or order, not less than the applicable minimum hourly wage rate. Such minimum piece rates or employer piece rates shall be commensurate with, and shall be paid in lieu of, the minimum hourly wage rate applicable under the provisions of this section. The Administrator, or his authorized representative, shall have power to make such regulations or orders as are necessary or appropriate to carry out any of the provisions of this paragraph, including the power without limiting the generality of the foregoing, to define any operation or occupation which is performed by such home work employees in

Puerto Rico or the Virgin Islands; to establish minimum piece rates for any operation or occupation so defined; to prescribe the method and procedure for ascertaining and promulgating minimum piece rates; to prescribe standards for employer piece rates, including the proportion or class of employees who shall receive not less than the minimum hourly wage rate; to define the term "home worker"; and to prescribe the conditions under which employers, agents, contractors, and subcontractors shall cause goods to be produced by home workers.

(b) This section shall take effect upon the expiration of one hundred and twenty days from the date of enactment of this chapter.

(c) The provisions of paragraphs (1), (2), and (3) of subsection (a) of this section shall be superseded in the case of any employee in Puerto Rico or the Virgin Islands engaged in commerce or in the production of goods for commerce only for so long as and insofar as such employee is covered by a wage order issued by the Administrator pursuant to the recommendations of a special industry committee appointed pursuant to section 205(e). June 25, 1938, c. 676, Sec. 6, 52 Stat. 1062, as amended June 26, 1940, c. 432, Sec. 3(e), (f), 54 Stat. 616.

Section 17. The district courts of the United States and the United States courts of the Territories and possessions shall have jurisdiction, for cause shown, and subject to the provisions of section 20 (relating to notice to opposite party) of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1914, as amended (U. S. C., 1934 edition, title 28, sec. 381), to restrain violations of section 215. June 25, 1938, c. 676, Sec. 17, 52 Stat. 1069.

Section 18. Relation to other laws.

No provision of this chapter or of any order thereunder shall excuse noncompliance with any Federal or State law or municipal ordinance establishing a minimum wage higher

than the minimum wage established under this chapter or a maximum workweek lower than the maximum workweek established under this chapter, and no provision of this chapter relating to the employment of child labor shall justify noncompliance with any Federal or State law or municipal ordinance establishing a higher standard than the standard established under this chapter. No provision of this chapter shall justify any employer in reducing a wage paid by him which is in excess of the applicable minimum wage under this chapter, or justify any employer in increasing hours of employment maintained by him which are shorter than the maximum hours applicable under this chapter. June 25, 1938, c. 676, Sec. 18, 52 Stat. 1069.